

THE LEONARD LETTER

*A weekly electronic newsletter about
California government, business and taxes*

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State Board of Equalization*

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"You have to start with the premise that all tax policy is both arbitrary and highly politicized and that rationality or fairness rarely influences decisions on who pays what to finance government." Dan Walters, Columnist, Sacramento Bee

TAX TOPICS

***** Further April 15 Deadlines *****

Thursday sounding too soon to get your tax returns filed? Many people need time to file their income tax return beyond April 15th, but remember that obtaining such an extension will only avoid the "late-filing" penalty. It will not avoid a "late-payment" penalty. The late payment of taxes after April 15th will result in a penalty of 5%, plus 1/2% for each additional month or fraction thereof, up to 40 months.

In addition to being the filing deadline, April 15th also marks the end of the Franchise Tax Board's (FTB) limited amnesty program for people who have used illegal tax shelters and other abusive schemes in the past. Prior to FTB's crackdown, the Voluntary Compliance Initiative (VCI) allows taxpayers to pay back taxes for tax year 2002 or before, to avoid becoming subject to the increased penalties beginning April 15th. Last year, the legislature not only increased the penalties for using such schemes, but extended the statute of limitations for pursuing these schemes from four years to eight years. To learn more about the VCI program, visit: http://www.ftb.ca.gov/law/tax_shelter/.

****Nonprofit Seminar****

In my year on the Board, I have met many executive directors and board members of nonprofit organizations that are simply unaware of the tax rules that apply to their organizations. Since these organizations are designed to serve the neediest among us, they cannot afford to make costly tax errors. To help educate and assist these organizations, I am organizing a Tax Seminar for Nonprofit and Exempt Organizations in conjunction with Assemblywoman Sarah Reyes. The seminar will be held in Fresno on April 30th. For additional information and to reserve your space, visit my web page http://www.boe.ca.gov/leonard/seminars/taxseminar_043004.htm

UNDER THE DOME

*****Deadline for Ballot Measures*****

Although not in the law, this is do-or-die week for ballot proposals aimed for the November 2004 ballot. In practical terms, initiative signatures not turned in this week will have a very difficult time being counted soon enough to meet the statutory deadline for the election. The teacher's union tax increase has already fallen (see below), and now all the others have to show their numbers or wait until 2006.

*****CTA and Reiner Withdraw Initiative after Error Found*****

The following illustrates why we should always look beyond titles and read what we are voting on. Jon Coupal, president of the Howard Jarvis Taxpayers Association, joined by anti-tax activists Joel Fox and Greg Turner, pointed out a drafting error last week in the "Improving Classroom Education Act" that could have lead to every homeowner in California to experience a 55% increase in the land portion of their property taxes. Although the initiative's had language that specifically said its intent was to only raise commercial property taxes and not the property taxes paid by homeowners, a judge could have drawn a different conclusion because of the drafting error.

How much of a tax hike for homeowners might this have resulted in? According to the Board of Equalization's research section, the total assessed value all single family residential property California in 2002-03 was slightly over \$1.5 trillion. Of that, \$636.4 billion is the assessed value of the land. One percent of \$636.4 billion is about \$6.3 billion. Fifty-five percent of this is about \$3.4 billion, which would be the potential tax increase on California homeowners if the initiative had passed. On Friday morning, the CTA and Rob Reiner announced the withdrawal of the initiative. Kudos to Jon Coupal, the Howard Jarvis Taxpayers Association, Cal-Tax, and the Small Business Action Committee for pointing out this drafting error and continuing to fight for California's taxpayers. Even if the initiative would have only resulted in a tax hike on commercial property, it would most certainly have made California less competitive and stifled our recovery.

*****Ranking Legislators on Taxes*****

The Howard Jarvis Taxpayers Association recently released its ranking of legislators based on how they voted on bills that would raise taxes and fees. The Association points out the importance of voters' knowing how their legislators vote on pocketbook issues because of the propensity of legislators to hide beneath the anonymity of the dome. Last year, legislators introduced bills that would have raised taxes by \$65 billion.

The Association found 65 tax bills and scored legislators negatively for each vote for bills that "would increase taxes, make it easier to increase taxes, threaten Proposition 13, or

further tighten the bureaucrats' lock on the budget. Their grades went up when they voted for legislation that benefited taxpayers like creating a mechanism for closing down unneeded bureaucracies and increasing the homeowners' exemption." Forty-four percent of legislators received grades of "F" and 13 percent received "D"s, meaning that 57 percent of the State Legislature voted against taxpayer interests most of the time. Thirty-four percent of lawmakers received "A" grades, and only eight percent earned "B"s or "C"s. To see your legislators' grades, go to <http://www.hjta.org/reportcard2003.htm>

*****CPR III*****

The Governor's California Performance Review project is focusing on four aspects of governmental reform. The first area of study is executive branch reorganization and the second is program performance assessment and budgeting. The third focus of the project is improved services and productivity. The Governor's staff acknowledges that California needs to undertake a "customer-focused transformation in government operations to provide timely, convenient, responsive and cost-effective services, benefits and information to the public."

CPR believes one of the opportunities to accomplish this is through the use of the Internet. E-government does have great potential and I am eager to review CPR's ideas for making it more customer-friendly. Another area of CPR focus is integrating local, state and federal government for customers. In too many areas, people seeking government services spend too much time having to work with three different levels of government. Fortunately, CPR recognizes that any streamlining efforts or new e-government opportunities are wasted unless the public is aware of them so it will examine efforts to advertise the services it finds are efficient.

CPR will look at the administrative systems in state government agencies and find opportunities to modernize them. For example, when I first toured the Board of Equalization, I was amazed at the rather low-tech system for processing incoming checks. Controller Steve Westly has already acknowledged that the state's payroll system is outdated. His efforts to upgrade it are an example of how CPR hopes to find and fix similar back office procedures throughout government.

BOE AND LEGISLATIVE DATES

April 12, 2004 --- Legislature reconvenes from Spring (formerly Easter) break

April 13, 2004 --- Board of Equalization meets in Sacramento

April 15, 2004 --- Last day for policy committees to hear and report fiscal bills

April 20, 2004 --- Victims Rights March on the Capitol in Sacramento

May 7, 2004 --- Last day for policy committees to hear and report non-fiscal bills

NOTABLE DATES/ HISTORY

April 12, 1955 --- Salk's polio vaccine announced to be safe & effective

April 12, 1980 --- U.S. Olympic Committee endorsed a boycott of the Moscow games

April 13, 1743 --- Thomas Jefferson, third President of the United States, was born in Shadwell, VA

April 13, 1860 --- First Pony Express reached Sacramento, CA

April 14, 1865 --- President Abraham Lincoln was shot and mortally wounded by John Wilkes Booth at Ford Theater in Washington, D.C.

April 14, 1912 --- The Titanic collided with an iceberg and began sinking

April 15, 1896 --- First Olympic games of the modern era closed at Athens, Greece

April 16, 1861 --- U.S. President Abraham Lincoln outlawed business with confederate states

April 17, 1790 --- Benjamin Franklin died in Philadelphia at the age of 84

April 17, 1961 --- The Bay of Pigs invasion failed, thwarting attempts to overthrow Castro

April 17, 1971 --- Astronauts aboard the ill-fated Apollo 13 spacecraft splashed down in the Pacific Ocean

April 17, 1975 --- Phnom Penh falls to Communists

April 18, 1775 --- Paul Revere & William Dawes warned, "The British are coming!"

April 18, 1906 --- San Francisco earthquake killed more than 700 people

GENERAL TAX INFORMATION

For answers to your general tax questions, call the Board of Equalization information center. Customer service representatives are available to help you from 8:00 a.m. to 5:00 p.m. Pacific time, Monday through Friday (except state holidays).

Toll-free number: 800-400-7115
TDD service for the hearing impaired

TDD phones: 800-735-2929
Voice phones: 800-735-2922

To reach the Taxpayer Rights Advocate's office, call toll-free 1-888-324-2798.

HOW TO CONTACT ME

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